

Message Text

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ORIGIN EB-07

INFO OCT-01 NEA-10 ISO-00 AGR-05 AID-05 EUR-12 IGA-01

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NEA/INS:DKUX/BWBROWN

USDA/FAS:AMEADE

AID/FFP:JDURNAN

NEA/PAB:AGRIFFIN

USDA/FAS:HNORTON

USDA/SEC:RBELL

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FM SECSTATE WASHDC

TO AMEMBASSY DACCA IMMEDIATE

AMEMBASSY COLOMBO

INFO AMEMBASSY NEW DELHI IMMEDIATE

C O N F I D E N T I A L STATE 191420

E.O. 11652:GDS

TAGS: ETRD, EAGR

SUBJECT: BDG GRAIN REPAYMENT TO USSR

REF: (A) DACCA 2716 (NOTAL); (B) COLOMBO 2174 (NOTAL)

1. THE BDG'S OBLIGATION TO THE USSR TO REPAY A 200,000 MT WHEAT LOAN (REF A) PRESENTS US WITH A POTENTIAL PROBLEM AT A TIME WHEN WE HAVE AN FY 76 P.L. 480 TITLE I PROGRAM UNDER NEGOTIATION WITH THE BDG. IT MAY ALSO LOOM IN THE FUTURE, AS IT SEEMS LIKELY THAT BANGLADESH WILL REQUIRE FOOD AID
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ASSISTANCE IN COMING YEARS AS WELL. ON THE ONE HAND WE RECOGNIZE THE BDG'S LEGITIMATE INTEREST IN HONORING ITS INTERNATIONAL COMMITMENTS; ON THE OTHER, HOWEVER, WE ARE CONFRONTED WITH THE SPIRIT AND LETTER OF P.L. 480 EXPORT

LIMITATION PROVISIONS AND U.S. PUBLIC AND CONGRESSIONAL OPINION. STATED BRIEFLY, THE USG DOES NOT WISH TO APPEAR TO BE DIRECTLY OR INDIRECTLY FINANCING SOVIET WHEAT LOAN REPAYMENTS WITH CONCESSIONAL SALES OF AGRICULTURAL COMMODITIES (PARTICULARLY DURING THIS SENSITIVE PERIOD). MOREOVER, ANY REPAYMENT IN KIND COULD RAISE SERIOUS QUESTIONS ABOUT THE VALIDITY OF BENGALEE FOOD AID REQUIREMENT AND IT COULD ALSO ERODE U.S. DOMESTIC SUPPORT FOR P.L. 480.

2. THUS, THE PREFERABLE BDG SOLUTION TO ITS OBLIGATION, FROM OUR PERSPECTIVE, WOULD BE FOR THE BENGALEES TO RENEGOTIATE THEIR OBLIGATIONS, ACHIEVE LONG-TERM POSTPONEMENT OF REPAYMENT IN KIND, OR MAKE REPAYMENT IN CASH OR THROUGH EXPORTS OF NON-FOOD COMMODITIES OR PRODUCTS.

3. IF THIS COURSE OF ACTION IS IMPRACTICABLE, OUR FALLBACK POSITION IS THAT REPAYMENT IN KIND, AS SCHEDULED, MAY BE MADE BUT ONLY BY SHIPPING UNITED STATES WHEAT OR WHEAT FLOUR DIRECTLY TO THE USSR. MOREOVER, SUCH REPAYMENT PURCHASES CANNOT BE COUNTED AGAINST ANY USUAL MARKETING REQUIREMENT. FINALLY, THE USG WILL PRESS FOR ASSURANCES THAT WE WOULD CONTINUE TO RECEIVE OUR TRADITIONAL PORTION OF THE UMR. WE RECOGNIZE THAT THE LEGAL BASIS FOR SUCH RESTRICTIONS ON BENGALEE FLEXIBILITY IN DEALING WITH THIRD COUNTRIES IS AMBIGUOUS BUT, AS A PRACTICAL REALITY WITH POSSIBLE BEARING ON FUTURE YEARS' PROGRAMMING, THE DOMESTIC POLITICAL CONCERNS OUTLINED IN PARA 1 HAVE CONSIDERABLE WEIGHT AND REQUIRE US TO TAKE A FIRM LINE ON THIS ISSUE.

4. SEEN FROM THIS PERSPECTIVE, THE PARA 3 APPROACH HAS ADVANTAGES FOR US:

- (A) REPAYMENT IN KIND BY SHIPPING THIRD COUNTRY EXPORTS DOES NOT VIOLATE P.L. 480 PROVISIONS;

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- (B) U.S. DOMESTIC CRITICISM REGARDING OUTSIDE PURCHASES TO REPAY THE SOVIETS SHOULD BE LESSENED IF THEY WERE TO BE MADE FROM THE U.S.

5. ACTION REQUESTED: THE BDG SHOULD BE ENCOURAGED TO CONSIDER SOLUTIONS OUTLINED IN PARA 2 IN THE CONTEXT OF THE PROBLEMS WHICH REPAYMENT IN KIND PRESENTS FOR US. IF THE BDG REMAINS FIRM ON REPAYMENT IN KIND, AS SCHEDULED, OR BELIEVES SOVIETS WOULD FIND PREFERABLE SOLUTIONS UNACCEPTABLE, YOU ARE AUTHORIZED TO OUTLINE THE ALTERNATIVE APPROACH CONTAINED IN PARA 3. WE WELCOME ANY EMBASSY COMMENTS REGARDING U.S. POSITION.

6. FOR COLOMBO: WE ARE HOPING THAT THE PROBLEMS OUTLINED ABOVE ARE ACADEMIC OWING TO THE GSL'S BALANCE OF PAYMENTS DIFFICULTIES, AND ITS LIKELY WILLINGNESS TO EXPLORE EVERY MEANS OF DEFERRING PAYMENT TO THE SOVIETS. ON THE OTHER HAND, THE AMOUNT, ABOUT 16,500 METRIC TONS OF WHEAT FLOUR FOR EACH OF TWO YEARS OWED TO THE SOVIETS - IS RELATIVELY SMALL AND IF THE CEYLONESE DECIDE TO MAKE COMMERCIAL PURCHASES, PRESUMABLY THE REQUIREMENT TO MAKE

THEM IN THE U.S. WILL NOT PROVE TOO DIFFICULT. WE WOULD APPRECIATE THE POST'S EARLY COMMENTS ON THESE PROPOSALS, INCLUDING YOUR ASSESSMENT OF THE POLITICAL SENSITIVITIES, IF ANY. KISSINGER

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